Up 4/989

ASCS Commodity Fact Sheet

UPLAND COTTON

Summary of 1989 Support Program and Related Information

United States Department of Agriculture

Agricultural Stabilization and Conservation Service

June 1989

LEGISLATIVE AUTHORITY

The Food Security Act of 1985, as amended by the Food Security Improvements Act of 1986, the Omnibus Budget Reconciliation Act of 1987, and the Commodity Credit Corporation Charter Act.

ACREAGE REDUCTION PROGRAM

An acreage reduction program is in effect for the 1989 crop. To participate, producers must reduce the acreage of upland cotton planted for harvest by at least 25.0 percent from the upland cotton established acreage base for the farm. A number of acres equal to 33.33 percent of the planted acres must be devoted to approved conservation uses (referred to as acreage conservation reserve (ACR) acres) under the acreage reduction program. The acreage reduction program is voluntary, but only farmers who participate will be eligible for target price protection and Commodity Credit Corporation (CCC) loans. Farmers who knowingly produce upland cotton in excess of the permitted acreage for the farm shall be ineligible for loans and payments on that farm.

Current law provides that national program acreages, allocation factors and voluntary reduction provisions are not applicable when acreage reduction programs are in effect.

ACREAGE BASES

The 1989 acreage base is the average of the acres planted and considered planted (P and CP) during the previous 5 years (1984-1988). Years with zero P and CP acreage are excluded from the calculation, but in such cases the acreage base cannot exceed the 1987-1988 average, including zero years. On farms that have been following a definite crop rotation program, the acreage base reflects rotations.

OFFSETTING COMPLIANCE

Offsetting compliance requirements will not apply. Program payment or loan eligibility for a commodity on a farm will not be affected by actions taken with respect to that commodity on another farm.

LIMITED CROSS COMPLIANCE

Limited cross compliance requirements will be in effect for 1989 crops. To be eligible for loans, purchases, and payments for a wheat, feed grain, upland cotton, or rice crop, the acreage planted for harvest on a farm to other program commodities, excluding extra-long staple cotton and oats, may not exceed the crop acreage bases of those commodities.

A 82.82/2:

READEX FICHE best copy available

50/92 PROVISION

The payment acreage is the acreage actually planted to upland cotton, not to exceed the permitted acreage. However, producers who plant at least 50 percent of their permitted acres to upland cotton can receive deficiency payments on underplanted acreage up to 92 percent of the permitted acreage. Payments are made on the planted acres plus any underplanted acres devoted to conserving uses (CU), provided that the remaining 8 percent of the permitted acres are also devoted to conserving uses.

ACREAGE CONSERVATION RESERVE

Land designated as ACR must have been devoted to small grain or row crops in at least two of the three preceding years, except for summer fallow rotations, for which the requirement is one of the two preceding years. ACR must be protected from weeds and wind and water erosion. Acreage designated as ACR is considered planted in the year designated.

USE OF ACR AND CUA

Grazing of ACR and CU acreage will be permitted except during five consecutive months of the seven month period between April 1 and October 31 as designated by the State Agricultural Stabilization and Conservation Committee. The Secretary has determined that haying will not be allowed except under emergency conditions unless it is determined that, based upon information submitted by a State ASC Committee, haying will not result in an adverse economic effect in the States. Production of crops will not be permitted on ACR or CU acreage.

BINDING CONTRACTS

Contracts signed by program participants are binding and provide for liquidated damages for failure to comply with program requirements.

LOAN RATE

The 1989 loan rate for Strict Low Middling (SLM) 1 and 1/16 inch cotton (micronaire 3.5-4.9) at average U.S. location is 50.0 cents per pound.

Producers who comply with the 25.0 percent acreage reduction program are eligible for loans on their total production. The loan period is 10 months, but producers have the option, during the tenth month, of extending the loan for another eight months whenever the spot market average price in the preceding month is 130 percent or less of the average for the previous 36 months. Loans will be available to program participants through county Agricultural Stabilization and Conservation Service offices and through approved cotton cooperatives through May 31, 1990. Loan amounts will be reduced for any unpaid storage charges in excess of 60 days.

ADJUSTED WORLD MARKET PRICE

Various provisions of the 1989 Upland Cotton Program require a determination of the upland cotton world market price. A procedure has been established to determine the world market price, adjusted to average U.S. location, for the base quality of SLM 1-1/16 inch cotton (micronaire 3.5-4.9), referred to as the

"adjusted world price" (AWP). The AWP for individual qualities is determined by applying the 1989 loan premiums, discounts, and location differentials to the AWP for the base quality. In addition, a "coarse count" adjustment may be applicable to cotton with a staple length of 1 1/32 inch or shorter and to certain specified lower grades with a staple length of 1 1/16 inch and longer. However, in no event will the AWP for any quality be established at less than 5 cents per pound. The AWP and coarse count adjustment, if any, for the subsequent Friday-Thursday period are announced each Thursday by press release.

LOAN REPAYMENT RATE

If the Secretary of Agriculture determines that the AWP is below the loan rate, the Secretary is required to implement either Plan A or Plan B for the repayment of loans. Under Plan A, the Secretary announces a loan repayment rate of 80-l00 percent of the lcan rate, which may not be changed subsequent to announcement. Under Plan B, the loan repayment rate is the lower of the loan rate or the current AWP.

Plan B is in effect for the 1989 crop. Whenever the AWP for a week in which loan redemption occurs is less than 50.00 cents per pound (the base quality loan rate), producers may repay 1989-crop upland cotton loans at the AWP in effect for that week.

FIRST HANDLER CERTIFICATES

Under the 1989 program, as announced, first handler certificates will not be issued because the loan repayment rate will equal the lesser of the loan rate or the AWP.

LOAN DEFICIENCY PAYMENTS

Eligible producers who agree to forego CCC loans may receive loan deficiency payments on their production otherwise eligible for loan, not to exceed the farm program acreage times the farm program payment yield. The loan deficiency payment rate is equal to the difference between the loan rate and the loan repayment rate in effect during the week in which the cotton is sold. Loan deficiency payments are subject to the $250,000 payment limitation. Producers will be allowed to decide whether or not to forego the loan program on a bale-by-bale basis.

USE OF COMMODITY CERTIFICATES

Generic commodity certificates issued under the 1989 upland cotton program will be governed by the same rules and regulations as generic commodity certificates issued under other commodity programs. Upland cotton made available for exchange with a commodity certificate will be valued at the AWP in effect for the week in which the certificate is presented to CCC for exchange. The AWP will be adjusted to other qualities and locations and for any coarse count adjustment with a minimum AWP of 5 cents per pound. Certificates may be used to obtain CCC inventory consisting of any upland cotton under loan and any upland cotton previously forfeited to CCC.

TARGET PRICE

The 1989 target price is 73.4 cents per pound.

DEFICIENCY PAYMENTS

If the average market price received by farmers during the 1989 calendar year is at or above the target price, no deficiency payments will be made.

If the average market price is below the target price, eligible producers will receive payments at a rate equal to the difference between the target price and the higher of the loan level or such average market price. Deficiency payments will be determined by multiplying the farm program acreage times the farm program payment yield. Final deficiency payments will be made during February 1990. Any advances received will be deducted from the total payment due at the time final payments are made.

ADVANCE DEFICIENCY PAYMENTS

Cash advance deficiency payments of 6.42 cents per pound are made available to producers who signed up for the 1989 program. This is 30 percent of the projected deficiency rate of 21.4 cents per pound. An additional 10 percent (2.14 cents per pound) will be available to eligible producers after May 15, 1989, in the form of generic commodity certificates.

DISASTER PAYMENTS

Disaster payments will be made only to upland cotton producers to whom federal crop insurance is unavailable. However, at the Secretary's discretion, disaster payments could be made if losses create an economic emergency too serious to be relieved by crop insurance or other federal aid.

The total quantity of any crop on which payments will be made to a producer will be reduced by the quantity on which a low yield disaster payment is made.

FARM PROGRAM PAYMENT YIELDS

The 1989 farm program payment yield is the average of the program payment yields for the 1981-1985 crops, excluding the years with the highest and lowest yields. However, any producer whose 1989 program yield is reduced below 90 percent of the 1985 program yield will receive deficiency payments sufficient to guarantee a return equal to 90 percent of the 1985 program yield.

SKIP-ROW PROVISIONS

Skip-row planting provisions for the 1989 crop will be the same as for the 1988 crop. The general rule is that only the land actually planted to cotton is counted as cotton land in determining compliance with program provisions. Skips between rows can be counted as ACR acreage if equal to at least four normal rows. If a producer's normal rows are less than 32 inches, a minimum of four 32-inch rows must be skipped for a total of not less than160 inches plant-to-plant.

PAYMENT LIMITATION

The total of deficiency and diversion payments under the wheat, feed grain, upland cotton, extra long staple cotton, and rice programs is limited to $50,000 per person. In addition, the total of

the following payments, combined with the total deficiency and diversion payments, is limited to $250,000 per person: (1) disaster payments, (2) any gain realized by repaying a loan at a lower level than the original loan level, including loans for honey or any other commodity. (3) any deficiency payment for wheat or feed grains attributable to a reduction in the statutory loan level, (4) any loan deficiency payment, (5) any inventory reduction payment, and (6) any payment representing compensation for resource adjustment (other than diversion payments) or public access for recreation. Excluded from the limitation are price support loans, upland cotton first handler certificate payments, and rice marketing certificate payments.

Producers whose deficiency and diversion payments are estimated to be reduced by the payment limitation are eligible to have their required acreage conservation reserve acres under the ARP decreased proportionate to the reduction in payments. The reduced acreage conservation reserve acres can then be planted to an alternative crop.

DIVISION OF PAYMENTS

Payments must be divided as the crops or proceeds of the crop are divided (or would have been divided if the crops had been produced).

CCC DOMESTIC SALES POLICY

The minimum sales price at which CCC can sell for unrestricted use any stocks of cotton that it owns is 115 percent of the lower of the loan rate or the loan repayment rate for SLM 1-1/16 inch cotton (micronaire 3.5-4.9), adjusted for quality factors and reasonable carrying charges.

IMPORT QUOTAS

Whenever the spot price for a month exceeds 130 percent of the average for the previous 36 months, a special global import quota equal to 21 days of domestic mill consumption must be opened for a 90-day period.

SEED COTTON LOANS

Recourse loans will be available on seed cotton, based on the estimated quality and quantity of cotton lint in each lot of seed cotton. The loan rate will be the 1989 loan rate for warehouse-stored lint of the same quality in the county where the seed cotton is stored. The full dollar value of all loans on 1989-crop seed cotton must be repaid by May 31,1990.

SODBUSTER/ SWAMPBUSTER PROVISIONS

Any person who, after December 23, 1985, brings into production a field which is predominantly highly erodible land, or who converts wetland to the production of any agricultural commodity, will be ineligible on his or her entire farm or farms for any farm program benefit or payment.

This Program or Activity Will Be Conducted on a Nondiscriminatory Basis Without Regard to Race, Color, Religion, National Origin, Age, Sex, Marital Status, or Disability.

UPLAND COTTON: SUMMARY OF BASIC DATA

CROP YEAR	ACREAGE [1] ALLOTMENT	PLANTED ACREAGE	HARVESTED ACREAGE	YIELD PER HARVESTED ACRE	PRODUCTION	IMPORTS	DOMESTIC USE
		1,000 acres		lbs/acre	1,000 bales*		
1955	18,113	17,947	16,887	417	14,500	53	9,085
1956	17,391	17,033	15,574	408	13,236	43	8,459
1957	17,585	14,226	13,477	387	10,867	97	7,975
1958	17,555	12,298	11,773	465	11,411	51	8,683
1959	16,310*a* [2] 17,346*b*	15,765	15,051	461	14,457	48	8,888
1960	16,310*a* [2] 17,554*b*	16,017	15,249	446	14,170	43	8,204
1961	18,458	16,526	15,575	438	14,220	69	8,844
1962	18,102	16,197	15,475	456	14,715	55	8,322
1963	16,250	14,699	14,072	516	15,130	54	8,554
1964	16,200	14,725	13,948	517	15,025	35	9,107
1965	16,200	14,075	13,540	526	14,864	30	9,454
1966	16,200	10,269	9,474	480	9,484	29	9,438
1967	16,200	9,380	7,931	446	7,374	149	8,948
1968	16,200	10,844	10,093	516	10,847	38	8,204
1969	16,200	11,804	10,982	433	9,913	30	8,001
1970	17,150	11,869	11,080	439	10,135	11	8,105
1971	11,500	12,253	11,370	438	10,379	42	8,163
1972	11,500	13,903	12,888	507	13,608	23	7,670
1973	10,000	12,395	11,887	521	12,896	27	7,384
1974	11,000	13,596	12,464	441	11,450	24	5,797
1975	11,000	9,408	8,730	453	8,247	36	7,160
1976	11,000	11,590	10,869	464	10,517	19	6,595
1977	11,000	13,604	13,201	519	14,277	1	6,416
1978	10,000	13,298	12,324	419	10,762	2	6,286
1979	13,476	13,887	12,742	547	14,531	4	6,440
1980	11,894	14,461	13,143	402	11,018	26	5,828
1981	12,838	14,272	13,783	542	15,566	18	5,216
1982	---	11,275	9,663	589	11,864	12	5,458
1983	---	7,863	7,285	506	7,677	8	5,861
1984	---	11,065	10,300	599	12,852	21	5,491
1985	---	10,601	10,145	628	13,277	33	6,338
1986	---	9,933	8,357	547	9,525	3	7,385
1987	---	10,269	9,899	702	14,475	2	7,565
1988		12,320 [3]	11,754 [3]	616 [3]	15,077 [3]	3 [3]	7,230 [3]
1989							

(For statistics for 1933 through 1954, see Upland Cotton Commodity Fact Sheet dated March 1979.)

*480-lb. net weight bales. Marketing year: August 1-July 31.

UPLAND COTTON: SUMMARY OF BASIC DATA

CROP YEAR	EXPORTS	ENDING CARRY-OVER	NATIONAL AVERAGE PRICE [4]	SUPPORT	AVERAGE FARM PRICE	VALUE OF PRODUCTION	GOV'T PAY-MENTS
	---- 1000 bales*----		----------cents/lb----------			---------- Million $ -------	
1955	2,299	14,553	34.55		32.30	2,368	
1956	7,856	11,388	32.74		31.60	2,097	26.4 Acr. Res.
1957	5,949	8,666	32.31		29.50	1,603	152.4 Soil Bank
1958	2,870	8,776	35.08		33.10	1,891	269.4 Soil Bank
1959	7,393	7,270	34.10*a*	28.40*b*[2]	31.60	2,286	
1960	6,849	6,916	32.42*a*	26.63*b*[2]	30.10	2,136	
1961	5,049	7,604	33.04		32.80	2,338	
1962	3,426	10,930	32.47		31.70	2,341	
1963	5,773	12,091	32.47		32.00	2,428	
1964	4,174	13,980	30.00*a*	3.50*b* 33.50*c*[5]	30.90	2,230	39.3 Pr. Sup.
1965	3,029	16,734	29.00*a*	4.35*b* 33.35*c*	29.30	2,086	69.3 Pr. Sup.
1966	4,819	12,081	21.00*a*	9.42*b* 30.42*c*	21.50	981	776.3 [9]
1967	4,316	6,379	20.25*a*	11.53*b* 31.78*c*	26.50	938	935.0[10]
1968	2,816	6,377	20.25*a*	12.24*b* 32.49*c*	23.00	1,197	783.5[11]
1969	2,863	5,727	20.25*a*	14.73*b* 34.98*c*	21.90	1,040	823.2[12]
1970	3,885	4,134	20.25*a*	16.80*b* 37.05*c*	22.80	1,110	914.8[13]
1971	3,376	3,182	19.50*a*	15.00*b* 35.00*c*[6]	28.10	1,399	818.3 Set-aside
1972	5,306	4,153	19.50*a*	15.00*b* 35.85*c*	27.20	1,778	807.3 Set-aside
1973	6,111	3,753	19.50*a*	15.00*b* 41.52*c*	44.40	2,747	704.6 Set-aside
1974	3,914	5,649	27.06*a*	0*b* 38.00*c*[7]	42.70	2,346	127.8 Disaster
1975	3,300	3,615	36.12*a*	0*b* 38.00*c*	51.10	2,023	117.6 Disaster
1976	4,779	2,879	38.92*a*	0*b* 43.20*c*	63.80	3,223	98.0 Disaster
1977	5,459	5,278	44.63*a*	0*b* 47.80*c*	52.10	3,568	68.8 Disaster
1978	6,150	3,905	48.00*a*	0*b* 52.00*c*	58.10	3,004	228.3[14]
1979	9,177	2,962	50.23*a*	0*b* 57.70*c*	62.30	4,344	107.5 Disaster
1980	5,893	2,614	48.00*a*	0*b* 58.40*c*	74.40	3,933	302.0 Disaster
1981	6,555	6,567	52.46*a*	7.67*b* 70.87*c*	54.00	4,038	549.6[15]
1982	5,194	7,844	57.08*a*	13.92*b* 71.00*c*	59.10	3,364	653.9[16]
1983	6,750	2,693	55.00*a*	12.10*b* 76.00*c*	66.00	2,430	434.7[17]
1984	6,125	4,024	55.00*a*	18.60*b* 81.00*c*	57.50	3,546	654.0[18]
1985	1,855	9,289	57.30*a*	23.70*b* 81.00*c*	56.10	3,560	1,054.0[19]
1986	6,570	4,942	55.00*a*	26.00*b* 81.00*c*	51.50	2,360	1,383.0[20]
1987	6,345	5,718	52.25*a*	17.30*b* 79.40*c*	63.70	4,413	951.0[21]
1988	5,625 [3]	8,060 [3]	51.80*a*	19.40*b* 75.90*c*	54.80[8]	3,917 [8]	1,130.0[22]
1989			50.00*a*	73.40*c*			

* 480 lb. net weight bales. Crop year: August 1 - July 31.

(See footnotes on page 8)

FOOTNOTES

1. Includes the national allotment plus 63,224 acres for 1958 and 94,159 acres for 1959 required to establish State allotments equal to 99 percent of the previous year's State allotment and a national reserve for establishing minimum farm allotment of 100,000 acres for 1957 and 1958, 310,000 acres for 1959 and 1960, 60,000 acres for 1961, 100,000 acres for 1962, 250,000 acres for 1963, 200,000 acres for 1964 through 1969, and 150,000 acres for 1970. Reflects the national base acreage allotment for 1971 through 1977 when no quotas in effect. National program acreage for 1978 through 1981. No NPA for the 1982 and subsequent crops because an acreage reduction program was in effect.
2. In 1959 and 1960, producers could elect to (a) plant within their regular allotment and receive support at full level (not less than 80 percent of parity) or (b) increase their acreage as much as 40 percent over the regular allotment and receive support at a level 15 percent of parity less than under Choice A.
3. Estimated as of May 1989.
4. Prior to 1961, support prices were based on Middling 7/8 inch cotton but they have been converted to make them comparable. Loans shown for 1955 through 1973 are basis Middling 1 inch, micronaire 3.5 through 4.9. Loans shown for 1974 through 1989 are basis Strict Low Middling 1-1/16 inch, micronaire 3.5 through 4.9. Mandatory price support loans began with the 1938 crop. Purchases were also used to support prices in 1959 and 1960. In addition to loans, direct price support payments to producers were made for the 1964 through 1970 crops.
5. 1964 through 1970 crops
   (a) Price support loan--available on entire production within the allotment.
   (b) Price support payment--available on domestic allotment (67 percent of total allotment in 1964, 65 percent in 1965 through 1970).
   (c) Total support on domestic allotment.
6. 1971 through 1973 crops
   (a) Loan rate--available on total production to participants. Loan rate is for Middling 1-inch, micronaire 3.5 through 4.9, net weight at average location. Previously, loans were on a gross weight basis.
   (b) Preliminary minimum payment rate--available on full base acreage allotment.
   (c) Total guarantee.
7. 1974 through 1989 crops
   (a) Loan rate for Strict Low Middling 1-1/16 inch, micronaire 3.5 through 4.9, net weight at average location.
   (b) Difference between the target price and the higher of the calendar year average price or the base loan rate. No payments were required for the 1974 through 1980 crops.
   (c) Established ("Target") Price.
8. Average farm price August 1988 - December 1988. Farm value derived from this price.
9. Price support $489.4 million; diversion $284.7 million; disaster $2.2 million.
10. Price support $611.7 million; diversion $323.2 million.
11. Price support $638.8 million; diversion $144.7 million.
12. Price support $796.8 million; small farm $26.4 million.
13. Price support $889.9 million; small farm $24.9 million.
14. Diversion $40.5 million; disaster $187.8 million.
15. Disaster $81.2 million; deficiency $468.4 million.
16. Disaster $131.2 million; deficiency $522.7 million.
17. Deficiency $431.4 million; diversion $3.0 million; disaster $0.03 million.
18. Deficiency $654.0 million; no disaster or diversion payments.
19. Deficiency $858.0 million; diversion $196 million.
20. Deficiency $1,258 million; loan deficiency $125 million.
21. Deficiency $951 million; no disaster or diversion payments; no loan deficiency payments.
22. Deficiency $1,178 million; loan deficiency $12 million; no diversion payments projected as of May 1989.